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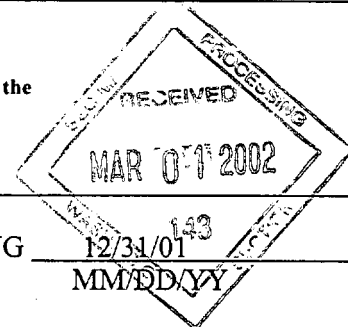
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

APR 3/12/2002

SEC FILE NUMBER

8-49106

## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

HANCOCK INVESTMENT SERVICES, INC.

OFFICIAL USE ONLY

40637

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM ID. NO

2600 CitiPlace Drive, Suite 100

(No. and Street)

Baton Rouge,

(City)

Louisiana

(State)

70808

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Betty Rowlen

225-248-7328

(Area Code - Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

DELOITTE &amp; TOUCHE LLP

(Name - if individual, state last, first, middle name)

701 Poydras Street, Suite 3700 New Orleans,

(Address)

(City)

Louisiana

(State)

70139-3700

(Zip Code)

## CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 01 2002

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

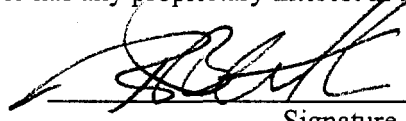
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

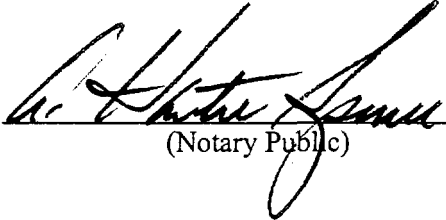
SEC 1410(3-91)

17  
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## OATH

I, Randy R. Bluth, swear that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Hancock Investment Services, Inc., as of December 31, 2001, are true and correct. I further swear that neither the company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

  
\_\_\_\_\_  
Signature  
President & CEO  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
(Notary Public)



This report contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income.
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholder's Equity.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors.
- ☒ (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- ☒ (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- ☐ (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. (Not Applicable)
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3. (Not Required)
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation. (Not Applicable)
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental report. (Not Required)
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit. (Supplemental Report on Internal Control)

**HANCOCK INVESTMENT SERVICES, INC.**  
**(S.E.C. I.D. No. 8-49106)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL SCHEDULES  
FOR THE YEAR ENDED  
DECEMBER 31, 2001  
AND  
INDEPENDENT AUDITORS' REPORT  
AND  
SUPPLEMENTAL REPORT ON INTERNAL CONTROL**

**\* \* \* \* \***

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**Filed as a public document in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934.**

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## **INDEPENDENT AUDITORS' REPORT**

To The Board of Directors  
Hancock Investment Services, Inc.  
Baton Rouge, Louisiana

We have audited the following consolidated financial statements of Hancock Investment Services, Inc. (a wholly-owned subsidiary of Hancock Bank) and subsidiaries (the "Company") for the year ended December 31, 2001, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

	<u>Page</u>
Consolidated Statement of Financial Condition	3
Consolidated Statement of Income	4
Consolidated Statement of Changes in Stockholder's Equity	5
Consolidated Statement of Changes in Liabilities Subordinated to Claims of General Creditors	6
Consolidated Statement of Cash Flows	7

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The following supplemental schedules of the Company as of December 31, 2001, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934:

	<u>Page</u>
Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934	10
Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934	11

These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Deloitte & Touche LLP*

January 25, 2002

# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2001

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### ASSETS

Cash and cash equivalents	\$2,668,835
Restricted cash	50,000
Furniture and equipment (net of accumulated depreciation of \$99,831)	103,160
Other assets, including accounts receivable of \$229,830	<u>267,354</u>
TOTAL ASSETS	<u>\$3,089,349</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### LIABILITIES:

Accounts payable and accrued expenses	\$ 591,212
Due to Hancock Holding Co.	<u>320,501</u>
Total liabilities	<u>911,713</u>

#### STOCKHOLDER'S EQUITY:

Common stock, \$1 par value per share; 1,000 shares authorized and outstanding	1,000
Contributed capital	879,000
Retained earnings	<u>1,297,636</u>
Total stockholder's equity	<u>2,177,636</u>

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$3,089,349</u>
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See notes to consolidated financial statements.

# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF INCOME YEAR ENDED DECEMBER 31, 2001

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### REVENUES:

Commission income	\$ 826,236
Fee income	329,062
Income from sales of annuity contracts	2,288,935
Interest, dividends and other income	<u>17,293</u>
Total revenues	<u>3,461,526</u>

### EXPENSES:

Employee compensation and benefits	2,072,548
Occupancy and equipment	56,412
Fees	317,970
Other expenses	<u>302,841</u>
Total expenses	<u>2,749,771</u>

INCOME BEFORE INCOME TAXES	711,755
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INCOME TAXES	<u>295,894</u>
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NET INCOME	<u>\$ 415,861</u>
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See notes to consolidated financial statements.

# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY YEAR ENDED DECEMBER 31, 2001

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	Common Stock	Contributed Capital	Retained Earnings	Total
BALANCE, JANUARY 1, 2001	\$ 1,000	\$ 879,000	\$ 881,775	\$ 1,761,775
Net income	<u>          </u>	<u>          </u>	<u>415,861</u>	<u>415,861</u>
BALANCE, DECEMBER 31, 2001	<u>\$ 1,000</u>	<u>\$ 879,000</u>	<u>\$ 1,297,636</u>	<u>\$ 2,177,636</u>

See notes to consolidated financial statements.



# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS YEAR ENDED DECEMBER 31, 2001

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BALANCE, JANUARY 1, 2001	\$ -
Change during the year	<u>-</u>
BALANCE, DECEMBER 31, 2001	<u>\$ -</u>

See notes to consolidated financial statements.

# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2001

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 415,861
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	36,247
Increase in accounts payable and accrued expenses	529,060
Increase in due to Hancock Holding Co.	1,675
Decrease in other assets	<u>7,324</u>
Net cash provided by operating activities	<u>990,167</u>

### CASH FLOWS FROM INVESTING ACTIVITIES -

Purchase of furniture and equipment	<u>(28,644)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	961,523
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,707,312</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$2,668,835</u>
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See notes to consolidated financial statements.

# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2001

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### 1. SIGNIFICANT ACCOUNTING POLICIES

Hancock Investment Services, Inc. (the "Company") is a wholly-owned subsidiary of Hancock Bank (the "Parent"), which is a wholly-owned subsidiary of Hancock Holding Company.

The Company is engaged in the brokerage business and records sales commissions on the settlement date which is not materially different from recording on trade date. The Company, as an introducing broker, effects all securities transactions through a clearing broker on a fully disclosed basis. The Company has deposited \$50,000 with the clearing broker which is classified as restricted deposits on the statement of financial condition. The Company also earns income from the sales of annuity contracts.

**Consolidation** - The consolidated financial statements include the accounts of the Company and its two wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** - The Company files a consolidated federal income tax return with Hancock Holding Company and determines its tax expense or benefit on a separate return basis. The Company recognizes tax benefits to the extent they are utilized in the consolidated return. Since there are no significant temporary differences, there are no deferred tax assets or liabilities and the tax expense for 2001 represents only the current tax expense.

**Furniture and Equipment** - Furniture and equipment are recorded at cost. Depreciation is provided on a straight-line basis using lives of three to seven years.

**Cash Equivalents** - The Company considers temporary investments with an original maturity of three months or less to be cash equivalents.

### 2. RELATED PARTY TRANSACTIONS

The Company operates in facilities that are owned by its parent and by another subsidiary of Hancock Holding Company for which \$6,500 was charged in 2001 for rent and other occupancy costs.

Approximately \$900,000 of cash and cash equivalents at December 31, 2001 was held at Hancock Bank. The balance was held in a brokerage account carried by the Company's clearing firm and invested by them in a money market account managed by the Trust Department of Hancock Bank.

### 3. REGULATORY REQUIREMENTS

The Company, as a registered broker/dealer in securities, is subject to the Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934). Under the Uniform Net Capital Rule, a broker-dealer who does not carry customers' accounts is required to maintain net capital, as defined in the Rule, of \$250,000 or 6.67% of aggregate indebtedness, whichever is greater. Also, the Uniform Net Capital Rule precludes the withdrawal of equity capital if the ratio of aggregate indebtedness to net capital exceeds 10 to 1. At December 31, 2001, the Company had net capital of \$1,139,864, which was \$889,864 in excess of its required net capital of \$250,000. The Company had aggregate indebtedness of \$911,713 at December 31, 2001 and its ratio of aggregate indebtedness to net capital was .8 to 1.

\* \* \* \* \*

# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2001

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	Per Audited Financials
NET CAPITAL:	
Total stockholder's equity	\$ 2,177,636
Less nonallowable assets:	
Retail receivables and other assets	233,314
Furniture and equipment, net	103,160
Excess cash at parent company	666,058
	<u>1,002,532</u>
	1,175,104
LESS HAIRCUTS	<u>(35,240)</u>
NET CAPITAL	<u>\$ 1,139,864</u>
AGGREGATE INDEBTEDNESS	<u>\$ 911,713</u>
Net capital requirement - greater of \$250,000 or 6-2/3% of aggregate indebtedness	<u>\$ 250,000</u>
Excess net capital	<u>\$ 889,864</u>
Ratio: Aggregate indebtedness to net capital	.7998 to 1

There are no material reconciling items between the amounts presented above and the amounts reported in the Company's unaudited Focus report as of December 31, 2001. Therefore, no reconciliation of the two computations is necessary.

# **HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES**

## **COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS PURSUANT TO RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2001**

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The Company has claimed exemption from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.

# HANCOCK INVESTMENT SERVICES, INC. AND SUBSIDIARIES

## SUPPLEMENTAL REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5

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To the Board of Directors  
Hancock Investment Services, Inc.  
Baton Rouge, Louisiana

In planning and performing our audit of the consolidated financial statements of Hancock Investment Services, Inc. and subsidiaries (the Company) for the year ended December 31, 2001 (on which we have issued our report thereon dated January 25, 2002), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the Commission) above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. and other regulatory agencies that rely on Rule 17a-5g under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

January 25, 2002  
New Orleans, Louisiana